Advanced Macroeconomics

Professor: Antonia Díaz and Andrés Erosa
UC3M
November to December 20, 2014

September 2, 2014

Dates. TBA.

Objective. The objective of the course is to introduce the modeling of heterogeneous agents economies (heterogeneity across firms and households) and the modeling of frictions on credit, labor market and housing markets. The student will be familiarized with the modern quantitative techniques used in macroeconomics and will learn about important research questions in macroeconomics.

Requirements. The course requires some basic knowledge of: (1) dynamic programming, (2) measure theory, and (3) Markov chains. There are several references to refresh the basics of dynamic programming: a simple one is Ljungqvist and Sargent (2004, chapter 3) but the most complete source is Stokey, Lucas, and Prescott (1989). Its first chapter is a very easy help. For measure theory you can check Stokey, Lucas, and Prescott (1989, chapter 7) For Markov chains, a good reference is Ljungqvist and Sargent (2004, chapter 2). A very comprehensive treatment can be found in Stokey, Lucas, and Prescott (1989, chapter 8).

Grading. The final grade on the course will be based on:

1. Homework assignments (30%)
2. Final Exam (70%).

Part I. Firm Dynamics.

1. Industry Equilibrium: Hopenhayn (1992)
Part II. Financial Frictions.


2. Models with default.
   - Accounting for default in consumer credit in the U.S.: Chatterjee, Corbae, Nakajima, and Ríos-Rull (2007)
   - Default and Firm Dynamics: Arellano, Bai, and Zhang (2009)
   - Accounting for default in sovereign debt: Arellano (2008)


Part III. Household portfolio.


Part IV. Prices in neoclassical frameworks.

- Davis and Heathcote (2005), Davis and Heathcote (2007)

Part V. Frictions.

- Financial frictions
• Search frictions: Díaz and Jerez (2010).


Part VI. Taxation.

• The consequences of preferential treatment of housing taxation: Gervais (2002).


References


